

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of Integrated
Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**COMMENTS OF MARIN CLEAN ENERGY
ON THE AMENDED SCOPING MEMO AND RULING OF ASSIGNED
COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**

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I. INTRODUCTION

Pursuant to the directions set forth in the *Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* (“Ruling”) issued on September 1, 2016, Marin Clean Energy (“MCE”) respectfully submits the following comments. MCE’s comments respond to Question 3 and Question 5 provided in the Ruling. Additionally, MCE asks the Commission to clarify the procedural schedule for this proceeding.

II. RESPONSES OF MCE

A. Question 3: Does the attached proposal appropriately balance the need to execute the pilot on a reasonable schedule and provide adequate oversight of implied cost to ratepayers?

The Commission should ensure that the generation, distribution, and transmission benefits of procured resources are appropriately quantified, and cost recovery for the pilot should be conducted proportional to the benefits. This will ensure that no costs are shifted to Direct Access (“DA”) and Community Choice Aggregation (“CCA”) customers. In producing the Post Evaluation Report, the Independent Professional Engineer (“IPE”) should be directed to provide a

detailed analysis to demonstrate the benefits incurred in each function, as well as financial impacts on bundled and unbundled customers.

Unbundled customers paying for generation attributes will inappropriately subsidize bundled customers' generation service.¹ While procured resources will produce distribution and transmission benefits, and all ratepayers should pay for those benefits, the generation benefits incurred by the procured resources should be solely borne by bundled customers. Unbundled customers, including CCA and DA customers, may not experience generation benefits produced by the IOU-procured resources, and should not be required to pay the costs associated with those generation benefits. If the IOUs are able to recover costs associated with generation benefits from unbundled customers, the pilot would unfairly impact unbundled ratepayers.

In the Pilot Evaluation Report,² the IPE should address whether the procured Distributed Energy Resources ("DERs") have provided generation benefits in addition to transmission and distribution benefits. The IOUs should identify the functions that the procured resources performed, quantify the benefits the resources provided, and apportion the benefits by generation, distribution, and transmission functions. Cost recovery for these resources will then be conducted based on the proportion of benefits received by each function. This analysis will ensure that unbundled customers do not unfairly subsidize generation benefits that are solely received by bundled customers, such as reduced generation rates.

¹ Public Utilities Code 707(a)(4)(A). The statute directs the Commission to "incorporate rules that the Commission finds to be necessary or convenient in order to facilitate the development of community choice aggregation programs, to foster fair competition, and to protect cross-subsidization paid by ratepayers."

² Ruling at page 12.

B. Question 5: Are there changes to the attached proposal that you see as essential and without which you would not support adoption of the proposal?

MCE cannot support the pilot without the adoption of a clearly defined performance-based ratemaking regime, where the incentive can only be recovered if the DERs procured meet pre-determined success criteria. The Commission should also provide post-pilot workshops and formal comment opportunities to allow parties to examine the results of the pilots, and identify improvements needed in future DER procurement efforts.

MCE has previously expressed its support for a performance-based ratemaking regime, where the deployed distribution assets would have to meet performance metrics set by the Commission before the IOUs can recover the costs of the projects and the shareholder incentive.³ While the Ruling stated that an incentive can only be claimed when “the DERs procured were successful in avoiding or deferring an otherwise planned utility expenditure,”⁴ the definition of “success” remains unclear.

The Commission should initiate a process to establish goals and metrics that these pilots must meet in order to recover costs from any ratepayers and to receive shareholder incentives. Besides examining whether procured DERs can maintain the distribution grid, the pilot should also aim to facilitate DER market innovation and transformation. As MCE expressed in its comments filed on May 9th, 2016, market transformation milestones should be incorporated into the performance metrics and goals,⁵ as part of the pre-determined success criteria. This is intended to motivate the IOUs to support the distribution grid in a cost-effective manner, while appropriately valuing DERs.

³ MCE Comments on Joint Ruling Requesting Responses at page 3.

⁴ Ruling at page 13.

⁵ MCE Comments on Joint Ruling Requesting Responses at page 3.

Second, in addition to requiring the IOUs to file a Pilot Evaluation Report, the Commission should schedule workshops and establish formal comment periods for parties to provide feedback. This process will serve to develop a formal procedural record that can inform the review in the Energy Resource Recovery Account (“ERRA”) compliance application.⁶ Through workshops and comments, the Commission can also determine whether future pilots are needed to further study and refine resource procurement methodologies.

III. THE COMMISSION SHOULD PROVIDE PROCEDURAL CLARIFICATIONS ON THE FUTURE PHASES OF THIS PROCEEDING

MCE respectfully requests the Commission to provide procedural clarifications on the future phases of this proceeding. The Ruling indicated that “the remaining issues from the two phases of this proceeding are hereby combined into one phase” for the purpose of efficient determination of issues that are within the scope of this proceeding.⁷ It is unclear whether there will be future phases to this proceeding to determine issues that have previously been mentioned by a previous scoping ruling, but have not yet been addressed in this phase of the proceeding.

Specifically, in the *Joint Assigned Commissioner and Administrative Law Judge Ruling and Scoping Memo* (“Scoping Memo”) issued on February 26, 2016, the Commission indicated that the future role of the IOUs in the ownership of DERs may be addressed.⁸ While the future role of the IOUs does not fit within the scope of the proposed pilot, the Commission should not limit the sourcing mechanisms and IOU ownership of DERs to what is proposed in the pilot.

MCE urges the Commission to examine the utilities’ role and other business models that can incentivize the deployment of DERs. As the Commission indicated in Decision (“D.”) 15-09-

⁶ Ruling at page 13.

⁷ Ruling at page 3.

⁸ Scoping Memo at pages 7 and 8.

022, the overarching goal for the proceeding is to deploy DERs to optimize customer and grid benefits, while enabling California to achieve its climate policy goals.⁹ While providing an incentive to IOUs may result in greater DER deployment and grid benefits, there are other mechanisms and models that the Commission should consider to optimize customer and grid benefits.¹⁰ MCE respectfully requests the Commission to examine other mechanisms that can optimize the deployment of DERs, including programs, tariffs, and other business models.

IV. CONCLUSION

MCE thanks Assigned Commissioner Florio and Assigned Administrative Law Judge Hymes for the opportunity to provide these comments on the Ruling.

Respectfully submitted,

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⁹ D. 15-09-022 at page 28.

¹⁰ Other mechanisms could include the Distribution System Operator (“DSO”) model supported by MCE and the Southern California Regional Energy Network (“SoCalREN”). More details can be found in MCE Comments on Joint Ruling Requesting Responses at page 4 and the Comments of SoCalREN at page 5.